



Magna Services America, Incorporated

Office of Government Affairs

600 Wilshire Drive

Troy, Michigan 48084

Tel: (248) 729-4097

Fax: (248) 729-4035

- Good morning, my name is Frank Ervin and I am

Manager of Government Affairs at Magna

International of America, Inc. We at Magna are

honored to be invited to speak before this

committee today.
- Before I begin, I wanted to give you an idea of who

Magna is---I believe it provides a level of credibility

as to what I am going to say throughout the rest of

my remarks:



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- Magna is the North America's largest Tier 1 automotive supplier and we are the 4th largest in the world today.
- The most diversified auto parts supplier
- We supply every major automaker in North America, Europe and Asia.
- That list includes global leaders like General Motors, Ford, Toyota, Honda, Nissan, BMW, Mercedes and Volkswagen, niche players like Aston Martin, and relatively new and rapidly growing companies like China's Geely and Dongfeng.



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- We have over 300 **manufacturing** facilities worldwide with more than 100,000 employees globally. In 2010 our total global sales revenue was \$24.1 Billion
- Our Michigan footprint consists of 20 **manufacturing** facilities and 22 Engineering/Development/Sales employing more than 7,000 Michiganders.

Reason for Testifying

- We are here today to discuss what we feel is one of the most crucial issues facing our state and this



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nation today. That is the need for our leaders to recognize the importance of manufacturing in this country and state and the need to start doing something about it in a collaborative effort with industry. I'm sure you aware that since 2003 more than 44,000 manufacturing facilities have been closed in America. I would like to share a few thoughts with you regarding the importance of manufacturing in Michigan and America.

- Let me just emphasize how important

Manufacturing is and why we all should have a vested interest in its success



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- Manufacturing is vital to the U.S. economy.

Manufacturing in the U.S. is a world leader

It is one of the largest users of materials including plastics, steel aluminum, electronics, etc. It is also the source of innovation and productivity improvement and manufacturers employs the most direct and indirect workers combined.

- The Automotive industry is largest manufacturing sector.
- Some facts from automotive parts supplier perspective:



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- We are the backbone of the vehicle manufacturing industry.
- Parts suppliers manufacturer over 2/3 of the value in today's vehicles
- Directly employ nearly 686,000 people across the U.S.
- Collectively, U.S. automotive suppliers are a \$388 billion industry

We at Magna believe there are four key elements to manufacturing that make it so important in the global economy

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- Competition & Innovation
 - Leads to success in international markets
 - Helps drive growth in the service sector
 - Provides high quality jobs
- Globalization & Trade:
 - Ongoing support for global fair trade is
critical to keeping the US manufacturing
sector strong and competitive
- Talent Management:
 - A key ingredient of productivity growth is
the quality of our people



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- We must find ways to attract
brightest people to auto industry
- Employee training and development
is crucial to our success
- Continue to develop partnerships
with education

Structural Cost Competitiveness we believe is the key to being a successful manufacturer in today's economy. When we talk about structural costs....we think of it in two perspectives:



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- In order to remain competitive, companies

have to manage the structural costs ***we***

control :

- Operating structure, workforce
 - Product Cost, cost of Quality
 - Debt levels
 - Capital, depreciation
- And equally important: industry and government must work together to level the playing field regarding structural costs ***we***

don't control

- Corporate tax burden



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- Energy costs & environmental regulations
- Health Care
- U.S. labor laws
- Class action litigation
- Bankruptcy laws



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In summary, there are many things that contribute to structural costs

- Companies have to be responsible for streamlining costs we control
- Industry and Government have the responsibility to work together to level the structural cost playing field in areas out of our control
 - The US cannot afford to be at a competitive disadvantage



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- I truly believe that if manufacturing goes,

it's gone!
- A country has to add value to

commodities
 - More importing finished goods

translates into more exporting of

jobs
- U.S. cannot just survive on being a service

provider
- As we continue to face relentless growth

from China, India, Brazil, etc.—it's critical

that manufacturing in the U.S. regain its



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competitiveness....the global economy

depends on it

- In addition we believe that manufacturing cannot grow if the states we operate in do not afford manufacturers a fair and equitable tax policy that does not favor one segment of the market over another.
- I will conclude but saying once again that we are honored to be here and have the opportunity to address this committee, but most of all we are proud to be located in Michigan and we look



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forward to growing our footprint in this great state
as we grow our business. Thank you.